



State of Utah

DEPARTMENT OF COMMERCE DIVISION OF CONSUMER PROTECTION

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Gift Clubs Nothing More Than Pyramid Scam

The latest get rich quick and easy pyramid scheme sweeping the nation appears to have started to show up here in Utah.

In a scam that has spread throughout the mid-Atlantic states and the Pacific Northwest, and now is being reported in St. George, Orem and Park City, people pay to join a "gifting club," billed in promotional materials as a private club with members eager to help new friends--often from within their own neighborhood or church group.

"These clubs are a recent phenomenon," says Francine Giani, director of the Utah Division of Consumer Protection. "In the past few weeks, we have received calls from consumers throughout the state asking about them. The clubs have all the markings of a pyramid scam. A fee to join and the prospect of making money by enticing others to join are classic pyramid scam pitches."

The clubs are illegal pyramid schemes. New club members give cash "gifts" to the highest-ranking club members, often with titles such as "captains." And they're promised that if they can get additional members to join the club, they, too, will become captains and receive money -- far more than they initially paid to join the club -- from newer club "friends."

The problem is, according to Giani, like most pyramid schemes, illegal-gifting clubs must continually recruit ever-increasing numbers of members to survive. When the clubs don't attract enough new members, they collapse. Most members who paid to join the clubs never receive the financial "gifts" they expected, and lose everything they paid to join the club.

Giani says the Division has received reports of people being asked to pay from \$100 to \$5,000, as a gift, to join a club.

Consumer Protection offers some tips to prevent getting wrapped up in a gift club.

- Be suspicious of any promises of quick, easy which money can be a powerful lure-- especially when it comes with the additional benefit of new friendships.

- If you're approached about joining a club but you aren't sure if it's an illegal gifting club, the Consumer Protection reminds you to:
- Consider that a legitimate gift has no strings attached and is not an "investment."
 - Avoid being misled into thinking a gifting club is legitimate because the ads say that members consider their payments a gift and expect nothing in return. This is an attempt to make an illegal transaction look legal.
 - Be wary of success stories or testimonials of tremendous payoffs. Very few members of illegal gifting clubs or pyramid schemes ever receive any money.
 - Take your time. Don't buckle under to a high-pressure sales pitch that requires you to join immediately or risk losing out on the opportunity. Remember, solid opportunities -- and solid friendships -- aren't formed through nerve-racking tactics.